Redhawk
RESOURCES

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE QUARTER ENDED JUNE 30, 2011

*This discussion and analysis should be read in conjunction with condensed consolidated interim financial statements and related notes thereto for the three months ended June 30, 2011 and 2010 (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated September 28, 2011 and discloses specified information up to that date.*

**FORWARD LOOKING INFORMATION**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Redhawk Resources, Inc. ("Redhawk" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**DESCRIPTION OF BUSINESS**

The Company and its wholly-owned subsidiaries, Redhawk Copper, Inc. and Redhawk Resources (USA), Inc., are engaged in the acquisition, exploration and development of resources with a primary focus on the accelerated development of its advanced stage Copper Creek copper-molybdenum project in San Manuel, Arizona.

The Company is listed and trades on the Toronto Stock Exchange ("TSX") under the symbol "RDK"; and the Frankfurt Stock Exchange Open Market under the trading Symbol "QF7" and trades on the OTCQX International under the symbol "RHWKF".

**RESULTS OF OPERATIONS- MINERAL PROPERTIES**

To best understand our financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which occurred during and subsequent to the reporting period, and these are summarized below.

## COPPER CREEK

Redhawk's principal property is its twenty-eight square mile Copper Creek property located in the southwest porphyry copper belt in the State of Arizona, 75 miles northeast of Tucson and 15 miles northeast of San Manuel, in an area well situated in regard to existing general and copper mining infrastructure. Copper Creek hosts multiple breccia and porphyry copper deposits. Both deposit types include historical copper resources. Molybdenum is present in varying amounts in both the breccia and porphyry copper deposits and is expected to provide substantial credits to both deposit types. Gold and silver are also present in both deposit types and are expected to provide credits during mining.

The most significant of these deposits identified to date on the Copper Creek property are the Mammoth, Childs-Aldwinkle, Old Reliable, Copper Prince, and Globe breccias, plus the Keel zone and American Eagle porphyry. Prior to Redhawk's acquisition of the property there had been more than 461,575 feet (87 miles) of rotary and diamond drilling, with verifiable data, completed on the property. Since acquiring the Copper Creek property Redhawk has re-organized the historic data; conducted a review and analysis of the breccia's; the Keel zone; and the American Eagle porphyry; developed new geological models; completed an additional 88,471 feet of diamond and rotary drilling as of June 30, 2011; completed new NI 43-101 compliant resource estimates; completed environmental studies and obtained permits to allow for underground access; and commissioned and completed a detailed scoping study on the economic viability of the Copper Creek property.

On September 9, 2008 the results from the two completed drill programs were released in an updated NI 43-101 compliant mineral resources estimate authored by Independent Mining Consultants (IMC). The full resource report is posted on the Company's website as well as on www.sedar.com.

Redhawk believes that a combination of the higher-grade breccia deposits and the much larger porphyry deposits represented by the Keel and American Eagle deposits offer an opportunity for developing a large long life mining operation. Redhawk, through its consultants, completed the ground water monitoring, waste rock characterization studies, environmental and cultural studies required to submit an Aquifer Protection Permit (APP) with the Arizona Department of Environmental Quality being the principal permit required to allow an exploration decline to be driven. That permit application was submitted in October 2007 and approval was received in August 2009.

KD Engineering of Tucson, AZ completed a detailed scoping study report examining the economic viability of underground mining using various extraction techniques for the Copper Creek project with contribution from Redhawk's other consultants, IMC (resources), Milne & Associates (mining costs and engineering), Golder Associates (hydrology and engineering), METCON (metallurgy), and WestLand Resources (permitting and environmental). The study was released in February, 2009 and subsequently amended in 2010.

The Base Case used in the scoping study is to begin production at a rate of 2,500 short tons per day (tpd) from the near surface breccia resources and increase the production rate to 10,000 tpd when the deeper Keel and American Eagle resources are accessed and developed. A two product (copper concentrate and molybdenum concentrate) conventional mill would be built on site beginning at 2,500 tpd and enlarging to 10,000 tpd as the mining rate is increased. Mining is anticipated to be blasthole stope and fill, with potentially some cut and fill, in the breccia deposits and room and pillar/post and pillar with engineered fill in the Keel and American Eagle deposits. Total mine, mill, and development capital costs are estimated at US$389 million. Mine and mill operating costs were also estimated. Mine operating costs, direct and indirect, in the breccia deposits are estimated at $US31.06/short ton to $US35.32/short ton depending upon the particular deposit and mining method and $US18.02/short ton for the bulk deposits mined with the room and pillar/post and pillar method. All mining methods include backfilling costs. Mill operating costs are estimated at $US14.31/short ton at 2,500 short tons per day throughput and $US9.15/short ton at 10,000 short tons per day throughput. The Company and its consultants are currently evaluating the potential to increase the rate of input per day to significantly increase the rate of throughput per day.

The pre-tax cash flow analysis over a 20 year operating period uses a copper price of $2.75/pound, molybdenum price of $15.00/pound, silver price of $12.00/troy ounce, and gold price of $750/troy ounce. The pre-tax economic analysis results indicate that an IRR of 20.4 percent is achievable. The corresponding pre-tax NPV is US$539.1 million at a 5 percent discount rate, US$350.0 million at a 7.5 percent discount rate, and $US222.7 million at a 10 percent discount rate. Payback of capital invested, is achieved after 6.9 years of operations. The breakeven copper price at a zero percent discount rate is $1.77 per pound. Over the 20 year production life of the study more than 1.3 billion pounds of copper, 26.6 million pounds of molybdenum, and 528,900 troy ounces of silver are produced and recovered. Considerable unmined resources remain after the 20 year production period covered by the study and could be minable depending upon costs and metal prices at that time.

In 2010 Redhawk began a six hole drilling program to test new exploration targets in areas with little to no historical drilling and well removed from existing deep resources. The program was designed to test areas with high potential for mineralization to be hosted in mafic rocks (andesitic volcanics and diabase intrusions) that are known to contain grades of mineralization considerably higher than in the main porphyry intrusives in many "porphyry copper" deposits in Arizona, South America, and Asia. As of June 30, 2011 all six drill holes were completed to total depth with core for a total of 24,776 feet. Results of the first five drill holes completed were disclosed in news releases dated October 5, 2010, January 5, 2011, and June 1, 2011. Results for the sixth hole, REX-10-047, plus the first of two follow up angle core holes from the same site, REX-11-052, were disclosed in a news release dated September 12, 2011. Results of the second of the two follow up holes from the same site, REX-11-053, are pending. The results from this program have shown the large extent of the mineralizing system and the Company intends to continue with the higher grade and larger district exploration effort. A series of drill holes are being planned to test areas identified by the initial 2010 drill program as well as new targets being developed.

The Company is working with its environmental consultants Westland Resources to apply for the additional permits required to allow the commencement of the development decline approved in the APP. Redhawk will move forward with these applications as quickly as possible. In addition the Company has completed the field environmental review of the balance of the district not currently covered by previous permits which focused on the current resource area and the reports are being written. Most Arizona State Lands Right of Ways to allow commercial access to Copper Creek have been already obtained and the Company has applied for an amendment to one last section for better access for development. Additional metallurgical work on the new cores is in progress with METCON Engineering. Additional geotechnical work is in progress with Call & Nicolas, Inc. Golder Associates, Inc. is evaluating water sources required for potential production. Independent Mining Consultants is being supplied with all the drilling and assay data on a routine basis for a resource update in early 2012.

Redhawk has retained Vancouver based JDS Energy & Mining Inc, to assist in an optimization study to determine the most effective manner in which to develop and operate Copper Creek as a mine. JDS has assisted many other companies in determining methods to achieve maximum project value.

The Company has hired additional employees including two geologists and a senior mining engineer to act as VP of Project Development to add the planning expertise needed to further develop Copper Creek. Redhawk will continue with discussions with third parties who have expressed an interest in the project.

Redhawk has expanded the drill program for 2011 from approximately 60,000 feet to approximately 100,000 feet. The program will be focused on resource upgrading and expansion in the immediate vicinity of the American Eagle and Keel porphyry which remain open in most directions. The program will commence on a number of previous rotary pre-collared holes as set out on the attached map. Much of the planned drilling is intended to be completed on drill spacing designed to increase Measured or Indicated resources or add new resources into high confidence categories. The Company has consulted with the Company's resources consultant IMC to determine the best drilling locations to increase the Measured and Indicated resources in the deep porphyry deposits. Currently three core drills and one rotary drilling doing pre-collar holes are operating on the property. Drilling in the 2011 program as at, September 18, 2011 is approximately 40% completed. Assay results for the first completed drill hole of the 2011 drill program were disclosed in the news release dated June 1, 2011. Assay results for three previously pre-collared holes completed to total depths with coring as part of the 2011 program were reported in a news release dated September 12, 2011. The Company is directing its efforts on the Project to complete the work required to begin a Pre-Feasibility Study in early 2012.

## ALIEN AND RAMONA PROJECTS

On May 27, 2009, the Company cancelled its option to acquire a 100% interest in the Alien Gold and wrote off $800,894 in associated deferred project costs.

On June 30, 2010, the Company terminated the option to acquire an interest in the Ramona property pursuant to the agreement dated May 2004 and as amended June 15, 2009 and wrote off $5,929 in 2011 (2010-$42,185; 2009-$234,860) in associated deferred project costs.

## TSX AND OTCQX LISTINGS

On June 17, 2011 the Company announced that it had retained Stifel Nicolaus & Company, Incorporated ("Stifel Nicolaus") as agent to trade the shares of the Company on the OTCQX International ("OTCQX") and the OTCQX upgrade had been successfully completed. Redhawk's shares commenced trading on the OTCQX effective the market open on, June 17, 2011 under the symbol "RHWKF". Stifel Nicolaus serves as Redhawk's Principal American Liaison (PAL) on the OTCQX and is responsible for providing guidance on OTCQX requirements.

On August 30, 2011 the Company announced that it received final approval to list its common shares for trading on the Toronto Stock Exchange (the “TSX”). The common shares of the Company were listed and commenced trading on the TSX on August 31, 2011 and were delisted from the TSX Venture Exchange upon commencement of trading on the TSX.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2011, the Company had current assets of $17,268,489 and current liabilities of $911,809 compared to current assets of $19,397,880 and current liabilities of $479,799 as at March 31, 2011. Working capital is $16,356,680 at June 30, 2011 compared to $18,918,081 at March 31, 2011.

Equity at June 30, 2011 was $33,372,282 compared to $33,766,556 as at March 31, 2011.

The Company has adequate working capital to meet planned exploration and administrative requirements for the fiscal year ending March 2012. Management has prepared, and the board has approved, financial budgets.

## RESULTS OF OPERATIONS

| | Three month period ended June 30, 2011 | 2010 |
|---|---|---|
| **Expenses** | | |
| Director fees | 19,355 | 31,312 |
| Filing fees | 34,479 | 6,452 |
| Insurance | 3,844 | 4,908 |
| Investor relations | 119,579 | 18,273 |
| Management and consulting fees | 89,545 | 204,849 |
| Office and sundry | 11,884 | 5,565 |
| Professional fees | 66,489 | 45,798 |
| Rent | 8,051 | 4,087 |
| Share-based payments | 200,795 | 39,768 |
| Transfer agents | 71,867 | 3,353 |
| Travel and accommodations | 26,406 | 15,514 |
| | (652,294) | (379,879) |
| **Other items** | | |
| Interest income | 51,230 | 1,285 |
| Interest expense | (21,740) | (24,512) |
| Foreign exchange gain (loss) | 3,538 | (76,889) |
| Impairment loss | - | (5,929) |
| **Net loss for period** | **(619,266)** | **(485,924)** |
| **Other comprehensive income (loss)** | | |
| Exchange differences on translating foreign operations | (94,953) | 515,666 |
| **Total other comprehensive income (loss)** | **$ (714,219)** | **$ 29,742** |

## NET LOSS

The net loss for the quarter ended June 30, 2011 was $619,266 compared to $485,924 for the quarter ended June 30, 2010 representing an increase of $133,342. Included in the current quarter results is interest income of $51,230 from surplus funds on hand invested in short term deposits.

## EXPENSES

For the quarter ended June 30, 2011, total expenses were $652,294 compared to $379,879 recorded during the same period in 2010, representing an increase of $272,415 or 72%. Significant variances that contributed to the increase are discussed below. Included in expenses is a non-cash charge of $200,795 (June 30, 2010 - $39,768) for share-based compensation. After deducting the non-cash adjustment for share-based compensation expenses, expenses totalled $451,499 (June 30, 2010 - $340,111) representing an increase of $111,388 or 33%. Material variances over the comparable period are discussed below.

### Directors fees

For the quarter ended June 30, 2011, director’s fees were $19,355 compared to $31,312 for the quarter ended June 30, 2010. In the 2010 quarter a director was paid an annual remuneration in one payment. In 2011 the amounts reflect payments to three directors for services provided in the period.

### Filing fees

For the quarter ended June 30, 2011, filing fees were $34,479 compared to $6,452 for the quarter ended June 30, 2010. In the 2011 fiscal quarter the company filed an application for listing on OTCQX.

### Investor relations

For the quarter ended June 30, 2011, investor relation fees were $119,579 compared to $18,273 for the quarter ended June 30, 2010. In the 2011 quarter expenditures were made for a number of activities and services. This included conferences and presentations in Europe, Canada and the United States. Expenses include all related travel and accommodation costs. Also included in this category are the fees paid for services provided under investor relations contracts. In 2010, only one investor relations contract was in place.

### Management and consulting

For the quarter ended June 30, 2011, management and consulting fees were $89,545 compared to $204,849 for the quarter ended June 30, 2010. These expenses are for services provided by the CFO, Corporate Secretary and Executive Chairman. In 2010 there was an additional payment to a third party consultant.

### Professional fees

For the quarter ended June 30, 2011, professional fees were $66,489 compared to $45,798 for the quarter ended June 30, 2010. Increased professional fees are related to filings for both the OTCQX as discussed above and the application by the Company to move from the TSX Venture listing to the TSX senior board.

### Share-based payments

For the quarter ended June 30, 2011, share based payments were $200,795 compared to $39,768 for the quarter ended June 30, 2010. These non cash expenditures are a function of the implementation of the methodology used under IFRS for calculating share based payment values.

### Transfer agent

For the quarter ended June 30, 2011, transfer agent fees were $71,867 compared to $3,353 for the quarter ended June 30, 2010. The OTCQX listing application in 2011 required fees paid to an agent, acting on behalf of the Company

**SUMMARY OF QUARTERLY FINANCIAL INFORMATION**

| Fiscal quarter ended | | Revenues [1] | Net gain/(loss) – total $ | Gain/(Loss) from $ | Net comprehensive gain/(loss) – total $ | Net gain/(loss) - per share [2] $ |
|---|---|---|---|---|---|---|
| June 30, 2011 | 3 | Nil | (619,266) | (0.00) | (714,219) | (0.00) |
| March 31, 2011 | 4 | Nil | (443,227) | (0.00) | (443,227) | (0.00) |
| December 31, 2010 | 4 | Nil | (297,748) | (0.00) | (297,748) | (0.00) |
| September 30, 2010 | 4 | Nil | (301,758) | (0.00) | (301,758) | (0.00) |
| June 30, 2010 | 4 | Nil | (516,502) | (0.01) | (516,502) | (0.01) |
| March 31, 2010 | 4 | Nil | (231,580) | 0.01 | (231,580) | 0.01 |
| December 31, 2009 | 4 | Nil | (187,706) | (0.00) | (187,706) | (0.00) |
| September 30, 2009 | 4 | Nil | 15,537 | (0.00) | 15,537 | (0.00) |

Note 1: Revenues exclude interest income. Fully diluted per share amounts are not scheduled as they would be anti-dilutive.
Note 2: Loss per share is rounded to the nearest whole cent
Note 3: Loss is reported under IFRS
Note 4: Loss is reported under Canadian GAAP

*Note on change in accounting standards*

This MD&A is prepared in association with the first-time filing of the of the Company's financial statements under IFRS. Because comparative financial statements under IFRS have not been reported for any fiscal quarter prior to that ended June 30, 2011, and because the Company expects to prepare at later dates its financial statements under IFRS on a quarter-by-quarter basis for the comparative quarters ending September 30 and December 31, 2010 and March 31, 2011, we have chosen to present the above table on the basis of Canadian Generally Accepted Accounting Principles (CGAAP), the standard in effect at the times of filing MD&A for all the quarters through and including March 31, 2011, for those seven quarters. The information for the three months ended June 30, 2010 has been prepared under IFRS. Readers should realize that, accordingly, the information in the table above may not be strictly comparable, being based on two different sets of accounting standards.

## Discussion

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Other than the factors leading to certain costs already discussed, management of Redhawk does not believe that meaningful information about the Company's operations can be derived from an analysis of quarterly fluctuations in any more detail than presented here.

### TRANSACTIONS WITH RELATED PARTIES

The following amounts due to related parties are included in trade payables and accrued liabilities:

| | | June 30, 2011 | | March 31, 2011 | | April 1, 2010 |
|---|---|---|---|---|---|---|
| Directors and officers of the Company | | 24,579 | | 49,518 | | 193 |
| | $ | 24,579 | $ | 49,518 | $ | 193 |

These amounts are unsecured, non-interest bearing and have no fixed terms of payments.

**Key management compensation**

| | Three month periods ended | |
|---|---|---|
| | June 30, 2011 | June 30, 2010 |
| Management fees (1) | $ 50,636 | $ 41,200 |
| Consulting | 55,500 | 44,500 |
| Director fees | 19,355 | 31,312 |
| Share-based payments | 148,400 | 12,693 |
| | $ 273,891 | $129,705 |

(1) Certain of management fees are allocate to Exploration and evaluation assets as warranted.

### OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## CHANGES IN ACCOUNTING POLICIES

### First Time Adoption of International Financial Reporting Standards

Following the February 13, 2008 Canadian Accounting Standards Board (AcSB) requirement for publicly listed entities to prepare interim and annual financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011, the Company prepared its first condensed consolidated interim unaudited financial statements for the three months ended June 30, 2011 using IFRS. Due to the requirement to present comparative financial information, the Company restated its statement of financial position as at April 1, 2010 ("transition date").

Notes 2 and 16 of the condensed consolidated interim unaudited financial statements for the three months ended June 30, 2011 provide a complete analysis of the impact of the transition from Canadian GAAP to IFRS on the Company's financial position , and detail the company's elected optional exemptions applied under IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS-1").

## Transitional Financial Impact

The transition from Canadian GAAP to IFRS had the following impact:

1. Long-term interest has been adjusted to be included in the comprehensive statement of income and losses.
2. Share-based payments were adjusted for the methodology under IFRS.
3. Assets were translated to Canadian dollars at the closing rate on each respective balance sheet date.

## Comprehensive Income Impact

As a result of the accounting policy choices selected and the changes required to be made under IFRS, the Company has recorded an increase in the deficit of $871,842 as at March 31, 2011 and a decrease in reserves of $694,793.

## ACCOUNTING STANDARDS ANTICIPATED TO BE EFFECTIVE MARCH 1, 2013

## Financial instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement (*“IAS 39”) in its entirety with IFRS 9 *Financial Instruments (*“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex that IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted**.** In November 2009 and October 2010, phase I of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 is anticipated to be issued during the second half of 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## Consolidation

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation- Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## Joint Arrangements

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after

January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

### Disclosure of Involvement with Other Entities

IFRS 12 *Disclosure of Involvement with other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

### Fair Value Measurement

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have identified and implemented the required accounting process changes that resulted from the application of IFRS accounting policies and these changes were not significant. The existing control framework has been applied to the IFRS changeover process and any changes in control have been implemented. All accounting policy changes, transitional exemption elections and transitional financial position impacts were subject to review by senior management and the Audit Committee of the Board of Directors.

### Financial Information Systems

The IFRS transition project did not have a significant impact on the financial information systems for the convergence periods, nor is it expected that significant changes are required in the post-convergence periods.

## FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses on the fair value of such assets are recognized in other comprehensive income where as impairment losses and foreign exchange gains and losses on such assets are recorded in the statement of loss.

The Company has classified its cash and cash equivalents, short term investments, receivables and reclamation bonds as loans and receivables. Trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

## RISKS RELATED TO THE COMPANY'S BUSINESS

Resource exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production stage are also very substantial.

The following sets out the principal risks faced by the Company.
Exploration risk. There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings within existing investors' investment horizons or at all. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities. The Company's planned programs and budgets for exploration work are subject to revision at any time to take into account results to date. The revision, reduction or curtailment of exploration programs and budgets could have a material adverse outcome on the Company and its securities.

Market risks. The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Commodity price risks. The Company's exploration projects seek copper, molybdenum, silver and gold in the United States. While each of these minerals have recently been the subject of significant price increases from levels prevalent earlier in the decade, there can be no assurance that such price levels will continue, or that investors' evaluations, perceptions, beliefs and sentiments will continue to favour these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Financing risks. Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly junior mineral exploration companies like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

Currency risks. The Company’s exploration expenditures are predominately in US dollars and equity raised is predominately in Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company is subject to fluctuations in foreign currency at the time payments are due on the US dollar promissory note. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Key personnel risks. The Company’s exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain “key man” insurance policies on these individuals. Should the availability of these persons’ skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

Competition. Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

Foreign Countries and Regulatory Requirements. Currently, the Company’s principal properties are located in the United States. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency fluctuations, inflation, and political risk. Both mineral exploration and mining activities and production activities in foreign countries may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on production, price controls, export controls, restriction of earnings, taxation laws, expropriation of property, environmental legislation, water use, labour standards and workplace safety. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations.

Environmental and Other Regulatory Requirements. The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties.

To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. Its deficit as of June 30, 2011 was $17,480,035. The Company has not yet had any revenue from the exploration activities on its properties, nor has the Company yet determined that commercial development is warranted on any of its properties. Even if the Company commences development of certain of its properties, the Company may continue to incur losses. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

Uninsurable risks. The Company and its subsidiaries may become subject to liability for pollution, fire, explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

## OTHER MD&A DISCLOSURE REQUIREMENTS

### Information available on SEDAR

As specified by National Instrument 51-102, Redhawk advisers readers of this MD&A that important additional information about the Company is available on the SEDAR website http://www.sedar.com/

### Disclosure by venture issuer without significant revenue

An analysis of the material components of the Company’s general and administrative expenses is disclosed in the financial statements to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company's mineral properties is disclosed in Note 6 to the financial statements.

### Outstanding Share Data

As at September 28, 2011, the Company had 138,527,287 common shares outstanding. As at the same date there were 24,415,854 warrants outstanding at exercise prices from $0.23 to $1.00 per share. In addition 8,060,000 stock options were outstanding at exercise prices from $0.17 to $0.79 per share.

| | Number of shares | $ | Number of options | Exercise price | Expiry date |
|---|---|---|---|---|---|
| **Issued and outstanding:** | 138,527,287 | 43,440,594 | 250,000 | $0.65 | Feb 22, 2012 |
| | | | 500,000 | $0.60 | Jul 5, 2012 |
| | | | 150,000 | $0.17 | Jul 5, 2012 |
| | | | 100,000 | $0.25 | Jul 5, 2012 |
| | | | 150,000 | $0.60 | Nov 1, 2012 |
| | | | 200,000 | $0.60 | Dec 10, 2012 |
| | | | 50,000 | $0.17 | Dec 10, 2012 |
| | | | 1,240,000 | $0.17 | Apr 6, 2014 |
| | | | 960,000 | $0.25 | Apr 6, 2014 |
| | | | 1,350,000 | $0.22 | Nov 10, 2014 |
| | | | 825,000 | $0.42 | Jul 9, 2015 |
| | | | 1,235,000 | $0.79 | Feb 11, 2016 |
| | | | 500,000 | $0.75 | Mar 21, 2016 |
| | | | 550,000 | $0.59 | Jul 7, 2016 |
| | | | 8,060,000 | $0.43 | [weighted avg.] |

Vancouver, British Columbia

September 28, 2011

**Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are advised not to place undue reliance on forward-looking statements.